

MINUTES

North Dakota Public Employees Retirement System
Thursday, July 18, 2002
Blue Cross Blue Shield Office
107 West Main
Bismarck, North Dakota

Members Present: Chairman Jon Strinden
Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Tabor
Absent Dr. Terry Dwelle

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Arvy Smith, Health Department
Mr. Howard Snortland, AFPE
Ms. Rhonda Peterson, BCBS
Mr. Tom Tupa, SEA
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. David Peske, ND Medical Association
Ms. Chris Runge, NDPEA AFT-4660

Chairman Strinden called the meeting to order at 8:30 AM.

Chairman Strinden welcomed Rosey Sand to the Board.

Minutes

Chairman Strinden called for any questions or comments regarding the June 20, 2002 NDPERS Board minutes.

Mr. Baetsch disagreed with page 4 Actuarial Study and Pension Adequacy motions. Request it be reviewed by staff and bring it back for review next month.

Ms. Tabor and Mr. Sage had questions regarding there absences during several of the motions and requested the secretary review and bring back next month.

DEFINED CONTRIBUTION AND DEFERRED COMPENSATION

Equitable

Mr. Matt Pits, Representative of Equitable appeared before the Board to request their consideration of changing the contract in the Deferred Comp program to a group policy. Mr. Pits highlighted the benefits of this change. Mr. Collins indicated that the next step would be to send Mr. Scott Miller a copy of the contract, review the administrative agreement and bring back before the Board at a later meeting for final review and decision.

RETIREMENT

Goals and Objectives

Mr. Collins indicated that during the last six months PERS has been reviewing the strategic direction for the retirement plan since the long held goal of providing a retiree with 90% of final average salary has been met. The process so far has involved:

1. The solicitation of ideas from the member by including a request in the newsletter.
2. The PERS Benefits Committee Study of the issue (June – Sept)
3. The PERS Board review of the Benefits Committee Conclusions
4. The PERS Planning retreat in November
5. The solicitation of employee and retiree group comments on draft goals (presentations by each group to the Board)

To date that effort has resulted in the development of the following draft goals and objectives:

Goal # 1: Enable career employees to care for themselves and their dependents at retirement and to provide a plan that will reduce personnel turnover and encourage employees to pursue long-term employment.

1. *In order for career employees to provide themselves and their dependents the retirement plan should provide at retirement benefit of 90% of final average salary plus the employer paid health insurance premium. The definition of career employee is 30 years.*
2. *To reduce employee turnover, encourage career employment and provide for career employees PERS will have a two- tier benefit structure with a 2% multiplier for the first 20 years of service and a multiplier in the second tier that will achieve the previous objective.*

Goal # 2: Establish a mechanism that will maintain the purchasing power of current retirement benefits.

1. *Until PERS can develop, fund and implement a long term mechanism for providing cost of living adjustments the system will provide regular increases to retirees that can be funded on an actuarially sound basis*
2. *PERS will study the development of method to provide long term cost of living adjustments to members of the system that can be accomplished on an actuarial sound basis*

Goal # 3: Provide members with greater flexibility to access, supplement, contribute to and draw from their retirement funds.

1. *To consider revising the definition of final average salary to provide more flexibility for members to stay in public employment should their position change.*

2. *To examine additional options for members to draw their retirement benefit such as a partial lump sum payment.*
3. *To review possible enhancements in the Joint and Survivor benefit that would better provide for a member's spouse and could be done in manner that would be equitable for single employee's*
4. *To consider having a J&S benefit added to the level social security option.*

Goal # 4: Develop incentives for members to encourage supplemental retirement savings.

1. *To develop a method by which members could get a portion of their PEP contribution either paid to them as cash at retirement, applied to the purchase of service or used to offset retirement health premiums.*

Pursuant to the boards previous direction we asked for member comments on the above by including an article in a recent newsletter. We have received several comments back; those comments were included in the board materials.

Mr. Collins indicated that staff is suggesting that we wait to adopt these goals and objectives until after getting the information from GRS. They are doing the actuarial modeling of the main retirement plan to look at the effect of the DC expansion proposal. Part of this modeling effort will provide us insight into how reasonable the proposal is to provide for future retiree increases.

Qualified Domestic Relations Order (QDRO) Account Balance

Ms. Rebecca Fricke and Ms. Sharmain Dschaak from NDPERS appeared before the Board. Ms. Fricke indicated that staff has reviewed current procedures regarding when a member's account is reduced due to a QDRO on file. This review indicated that the member's account balance is not being reduced immediately to provide for the QDRO. It was determined that this lack of a reduction could cause a significant overpayment to the member's beneficiary in the event of the member's death as their full account balance would be distributed to the member's beneficiary on file. Ms. Fricke indicated that current procedures only provide for a segregation of the member's after-tax contributions. However, this was only to occur once both the alternate payee and member were in payment status. Staff has contacted Segal for their guidance on this procedure. Several options have identified. These options were included in the board materials. Staff and Segal are recommending option 2.

Ms. Sand moved approval of option 2. Immediately reduce at time of first distribution. This would reduce the member's account at the time that the alternate payee's benefit commenced. It would not assign the amount awarded as the alternate payee's minimum guarantee. It would be documented in the member's file the amount and reason for the reduction in the member's account balance. Interest would accumulate on the member's account balance more appropriately based on the amount awarded to the alternate payee, rather than accruing on a larger account balance without the reduction. Also, this would alleviate the issue of the member's account balance not being reduced and a potential higher beneficiary payment if the member died.

Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Lincoln National Provider Agreement (Board Action Requested)

Ms. Allen indicated that the contract was referred to Mr. Scott Miller for review. Mr. Miller was present at the meeting to answer any questions. Mr. Miller indicated that Lincoln is one of the providers that would not sign the current agreement so they have been put on a suspended status, which means they are unable to receive any new business. The changes that Lincoln is asking for in this contract do not put PERS out of compliance with the IRS.

Mr. Gunkel moved acceptance of the contract with suspended status. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

GROUP INSURANCE

EAP Leave of Absence (Board Action Requested)

Mr. Collins indicated that staff reviewed with the Board that PERS does not have a policy relating to leave of absence for the Employee Assistance Program (EAP). At that time the Board requested staff to look into developing a policy. One of the first steps in that process was to write our EAP providers for their input. At the February meeting those responses were brought back to the Board and the following policy was considered.

An employee may continue the employee assistance program (EAP) at their own expense. The agency is responsible for collecting the premium from the employee and submitting it with the monthly agency billing.

Mr. Collins indicated that the Board directed staff to share the proposed policy with payroll contacts. Mr. Collins indicated that an article was placed in the last newsletter. No comments were received. Staffs recommendation is to approve the policy.

Ms. Sand moved approval of the EAP policy. Mr. Gunkel seconded

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Central Valley Health District- Health Premiums (Board Action Requested)

Ms. Allen indicated that at the January meeting, Central Valley Health District requested that the Board reconsider its policy relative to the premium rate applied to district health units. Central Valley joined the PERS health plan effective January 1, 2002 under the assumption that the single/family rate applied to its group. Therefore, they budgeted for the premium expense according to this information. When the group was notified that the flat rate applies to health units, they requested the Board's consideration to allow them to retain the single/family rate because they were unable to finance health coverage based on the flat rate. The Board moved to allow Central Valley to remain on the single/family rate through its current budget cycle ending December 31, 2002.

Ms. Allen indicated that currently there are 9 district health units that participate in the NDPERS group health plan. A survey was sent to each unit to obtain input regarding the preference for the single/family rate versus the flat rate. A copy of that survey was included in the board materials. Staff received 7 written responses and two verbal

responses. Out of this number, 8 indicated they preferred the flat rate because the majority of their contracts were family and this represented a cost savings over the single/family rate. Only Central Valley responded it preferred the single/family rate.

Central Valley will begin preparing its 2003 budget in August. Therefore, the Board must determine what rate will apply to the unit for 2003. Ms. Allen indicated that staff has provides several options for the Board's consideration along with the advantages and disadvantages of each. These options were included in the board materials.

Ms. Sand moved approval staffs recommendation option 1 to apply the flat rate to effective January 1, 2003. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Wellness Benefit Program – Board Action Requested

Ms. Allen indicated that at the January meeting, the Board was provided a list of the programs funded to date under the Wellness Benefit Program. The Board noted that over the years the program has evolved into wellness initiatives centered on short-term preventive services such as flu shots. Based on this finding, the Board moved to have 3 members on the Benefits Committee to review the purpose and criteria for the Wellness Program and to develop strategies to redirect the program's focus and report these efforts back to the Board. The Board further directed that all applications received for wellness benefits during the interim be submitted to the Board for action.

The committee reviewed the current application and evaluation procedures and found them to be satisfactory. Therefore, to supplement the current application process, the committee proposed agenda driven program that will be more proactive and will give employers more direction in selecting and conducting a wellness program with the agenda driven results be reported to the Board at the conclusion.

Ms. Allen indicated that the Committees recommendation is to approve the proposed program.

Ms. Tabor moved approval of Committee recommendation. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Ms. Smith introduced the first proposed initiative under the agenda driven program, which is 10K-a-day physical activity program, which the Committed reviewed and selected. Ms. Smith indicated that the Committees recommendation is to offer the 10K-a-day program over the next six months.

Ms. Sand moved approval of Committee recommendation. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Ms. Allen indicated that the Board directed that all applications received for wellness benefits during the interim be submitted to the Board for action and asked if the Board wanted to continue or modify this procedure.

Mr. Gunkel moved approval to have the Committee make the approvals or denial and to report back to the Board. Mr. Sage seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Smoking Cessation Program – Board Action Requested

Ms. Allen indicated it was proposed by the Board that during 2001 staff would review and develop specifications and solicit eligible vendors for the program. This information would be submitted to the board for its review and approval. Staff located only one vendor in the State that offers a smoking cessation program; the Tobacco Dependence Treatment Center located in Fargo. The center is grant funded by the Dakota Medical Foundation. It is a collaborative effort of the Fargo-Moorhead healthcare community and is physician directed. NDPERS and BCBS staff have met with representatives of the treatment center over the last few months to discuss the program services and associated costs. Based on these discussions, staff developed a proposal outlining the implementation, eligibility, reimbursement, and covered services.

Implementation

Doing multiple rollouts of the program in Fargo and the surrounding area. This would allow between four to six programs available beginning this fall and ending on April 30, 2003. Enrollment for each program would be limited to a specific number in order to ensure the Center's resources are not compromised beyond its ability to provide services. In addition, this will ensure we do not exceed the premium assessment available to fund the program.

Eligibility

The program will be available to active and retired members enrolled in the NDPERS group health plan. This could include employees, spouses, and dependents. Therefore, the scope of eligibility must be defined. The program requires a referral from a physician. Another issue is whether to have a limit on the number of times a member can receive benefits under the program. Doing multiple rollouts over a specified time period, as outlined under implementation, will provide the opportunity for participants that have a relapse or were not successful in their first treatment to re-enroll during subsequent program enrollment periods.

Program Services

The program involves a combination of six group or individual sessions over a period of three to four weeks along with pharmacology aids. Sessions are approximately 1 to 1½ hours in duration and are conducted at least weekly. At least two sessions must be conducted on-site and the remaining sessions may be provided by phone. Pharmacology aids are a combination of prescription drugs to include Wellbutrin and Zyban (same chemical compound as Wellbutrin, different name), as well as over the counter drugs. A program outline was included in the board materials.

Reimbursement

The cost of the program is as follows:

Initial Assessment (waived if client enrolls in complete program): \$ 25.00

Flat fee for 6 sessions (assuming group discount):	225.00
Pharmacology aids (estimate for 2½ months):	
Over-the-Counter Drugs (assuming maximum limit met)	133.00
Prescription Drugs:	<u>250.00</u>
Total	\$633.00

The following reimbursement schedule:

	Program	Participant
Initial Assessment (if program not completed)		(\$ 25.00)
Initial Assessment & 6 Sessions:	\$200.00	25.00
Over-the-Counter drugs (75% to \$100 limit):	100.00	33.00
Prescription Drugs (75% to \$100 limit):	<u>100.00</u>	<u>150.00</u>
Total	\$400.00	\$183.00
Program Not Completed		\$633.00

There is an issue with prescription drug coverage. Currently the prescription drug program covers Wellbutrin; however, it does not cover Zyban. Therefore, Zyban will be reimbursed on the same basis as the over-the-counter drugs.

The Center will be reimbursed when the participant has completed the program. If the participant does not complete the program, they will be responsible for all incurred costs associated with the program. The program is considered complete after the participant attends the sixth session. The Center's staff recommends the participant attend one to two months of support group meetings on a mandatory basis in order to be eligible for benefit reimbursement. The participant will be reimbursed for over-the-counter drugs upon successful completion of the program. BCBS will be responsible for making reimbursement payments from the account.

Ms. Allen indicated that the following items must be resolved:

- Should the program be available to family members of the employee and if so, which members?
- Will participants that previously completed the program and were unsuccessful or quit the program before completion be allowed to re-enroll for benefits during a later enrollment opportunity?
- Is the above reimbursement schedule an acceptable level of cost sharing by the program and participant?
- Should support group participation for one or two months be mandatory for reimbursement?

Ms. Allen indicated that staffs recommendation is to approve the pilot smoking cessation program as proposed.

Dr. Rice was present to assist in any questions. Ms. Myra Ohlson and Ms. Dawn Hoffner from the Tobacco Dependence Treatment Center were present to answer questions.

Ms. Sand moved approval of the pilot smoking cessation program, to cover participants in the health plan, re-enrollment to be allowed, and reimbursement schedule as stated, one month of support group mandatory. Mr. Sage seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle
PASSED

Dental & Vision Programs (Informational)

Mr. Collins indicated that ING and Ameritas have been notified that they were the successful vendors. The rest of the vendors were notified.

Relating to the dental plan the Board requested that staff explore some alternate plan designs with ING. Staff asked ING to investigate what possible changes would be required to produce a premium reduction of 20% or more. Conceptually, two approaches were discussed:

1. Presently our plan design has four levels of benefits: preventive, routine and restorative, major and orthodontic. One idea was to have a plan that only provided preventative and routine coverage.
2. A second idea was to have a plan that provided coverage only after a high loss. The thought was that we could all maybe put into flex enough to cover all the preventative and some of the routine work but we may want to have a low cost coverage for the unexpected high cost items.

ING response was included in the board materials. They were not able to develop any ideas relating to the second concept. At this time staff is recommending that we not move forward with an alternate plan design for the 2003 plan year.

After discussion it was the consensus of the Board to move forward with the existing plan design and have staff continues to explore alternate plan designs.

Quarterly Health Graphs (Informational)

Mr. Reinhardt provided and overview of the quarterly health utilization graphs with the board.

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided and overview of the Surplus/Affordability update with the board.

2002 NDPERS Inpatient Comparison (Informational)

This comparison is informational and was provided in the board materials.

MISCELLANEOUS

Transfer Procedures (Board Action Requested)

Mr. Collins indicated that staff has recently completed a review of the transfer procedures for each of our programs. One basic difference exists between our group insurance program and the other programs. In the group insurance program if a member goes from one participating employer to another (Attorney Generals Office to Human Services) they are treated as a new employee and must reenroll in the program. In our programs they do reenroll but rather are transferred as a result of federal requirements or the financial risk associated with the flex comp program.

Mr. Collins presented the following advantages and disadvantages to this policy for the group insurance program:

Advantages:

1. They get a new opportunity to make their life insurance elections without underwriting.
2. They get to make changes in health plan coverage with underwriting.
3. They get a new opportunity to join the voluntary insurance programs.

Disadvantages:

1. If you have spouse life coverage it must be renewed and must again go through the medical review if required.
2. New elections must be filed with our office.

Mr. Collins indicated that staff is bringing this to your attention to see if you are interested in changing our procedures to make them uniform. That is making the group insurance procedures similar to the other programs. Administratively this will involve a lot of change.

Mr. Gunkel moved approval to standardize the transfer procedure. Mr. Sage seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

2003-2005 Optional Adjustment Package (Board Action Requested)

Ms. Schiermeister indicated that at the last board meeting, the agency's 2003-05 base budget was presented and approved. The budget is at the same level as the appropriation for the 2001-2003 biennium, which is in compliance with the Governor's request. In order to achieve the "hold-even" budget, the agency was not able to include funding for a number of activities PERS is presently doing and some new activities PERS should be doing. The budget guidelines provide agencies with the opportunity to submit optional funding requests in addition to the base budget request. Ms. Schiermeister addressed the following activities staff recommends to be considered:

1. **Equity Adjustments.** Since 1999, PERS has been working to provide increases to PERS staff whose salaries are less than the statewide or national average for the respective pay grade or position, by years of service. Currently, the statewide average comp ratio for all state agencies is .96 and for PERS it is .84. This option includes funding for salary equity increases to continue this effort.
2. **Temporary positions.** This option would restore funding for the temporary administrative assistant position and temporary internal audit position. The administrative assistant position has been a part of the agency's staff since 1998. The agency feels this position is necessary to maintain the same level of services currently being provided by the administrative services division. The internal audit position has been a part of the agency's staff since 1999. The agency feels the additional resources in the internal audit division are necessary to continue to provide assurance that the agency is meeting its fiduciary responsibilities.
3. **IT Plan – Workflow Project.** This option includes funding for the workflow project identified in the agency's Information Technology (IT) Plan and increasing the IT staff by .5 FTE. This workflow project will expand the use of the electronic document management system to include workflow and electronic forms. The agency anticipates that this will reduce the amount of paper forms, increase efficiency and reduce costs associated with handling paper. Currently, the agency has 2.5 IT coordinators on staff.

The request for the additional .5 FTE will be to make the half-time position a full-time position.

4. **Internal Auditor.** The internal audit division has requested funding for a new full-time, permanent position since the 1999-01 biennium. Funding was not included in the 1999-01 request for a permanent position; however, funding was available to hire a part-time, temporary audit intern. With the additional responsibilities the agency has taken on as a result of administering new programs, the increasing complexity of existing programs and additional fiduciary responsibility for the companion plan, the need for additional resources in the internal audit area exists. If the desire were to have a permanent position assigned to the division, the funding for the temporary internal audit position would be removed and replaced with funding for an FTE.
5. **Member Communications.** This option would restore funding for an active and retiree newsletter. The agency currently distributes 6 newsletters per biennium for active members and 6 newsletters per biennium for retired members of PERS. The base budget includes funding for only 5 active newsletters and 5 retiree newsletters. The newsletters are important communication and education tools for members. Reduction in the number of newsletters lowers the level of customer service currently provided to our members. In-state travel would also be restored to fund the member outreach program at the same level as the current biennium.
6. **IT Plan – Video Conferencing Project.** This option includes funding to purchase and set up video conferencing equipment at the PERS office, as identified in the agency's IT plan. The equipment would be used for board meetings and presentations to members, employers and vendors, which would reduce time and money spent on travel.

Mr. Gunkel moved approval of staffs' recommendation. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

NDPERS Personnel Policy Manual (Board Action Requested)

Ms. Allen indicated that PERS has made revisions to our Policy Manual in recognition of suggestions by Risk Management and our external auditors. These revisions were included in the board material.

Mr. Gunkel moved approval of revisions. Ms. Sand seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

PERS Board Meeting Dates (Informational)

Mr. Collin indicated that in recognizing the work efforts coming due in the next several months Staff is suggesting that the Board meeting dates be changed as follows:

August meeting - Move to August 29. This will provide time for all the renewal information for the health contract to be developed for your consideration. Please note that in the past we have also scheduled special meeting in the first part of September to address follow-up issues.

September meeting - Move to September 26. In discussing the DC actuarially analysis with GRS they indicated that they could present this to the Board at this time.

October meeting - Move to October 24. The actuarial reports will be completed and ready to be presented by Segal by this time. Also final technical and actuarial reports on proposed legislation will ready for your review and final action by this date.

November 21st and December 19th meeting stay as scheduled.

Mr. Sage moved approval of meeting changes. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Consultant Fees (Informational)

The Consultant fees were informational and were provided in the board materials.

NAGDA Conference (Board Action Requested)

Mr. Collins indicated that the National Association of Government Defined Contribution Administrators conference is coming up. In the past the Board has approved sending one member of the Board to this meeting and one staff member.

Mr. Sage moved approval for one Board member and one staff member. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Health Care Discussions (Informational)

Included in the board materials was the most recent Health Care Discussions newsletter from BCBS.

May 3, 2002 PERS Audit Committee Minutes (Informational)

Included in the board materials was the Audit Committee Minutes.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 11:14 AM.

Respectfully Submitted

Denise A. Curfman

Denise A. Curfman
Secretary, NDPERS Board